

RECEIVED

AUG 13 1998

REED SMITH SHAW & MCCLAY LLP

Writer's Direct Numbers:  
Phone 202-414-9276  
Fax 202-414-9299  
jharris@ssm.com

1301 K Street, N.W.  
Suite 1100 - East Tower  
Washington, D.C. 20005-3317  
Phone: 202-414-9200  
Fax: 202-414-9299

Federal Communications Commission  
Office of Secretary

August 13, 1998

**Via Hand Delivery**

Magalie Roman Salas, Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

RE: Notice of *Ex Parte* Presentation  
Federal-State Joint Board,  
CC Docket No. 96-45;  
Access Charges Reform, Price Cap Review,  
CC Docket Nos. 96-262, 94-1, 91-213, 95-72/

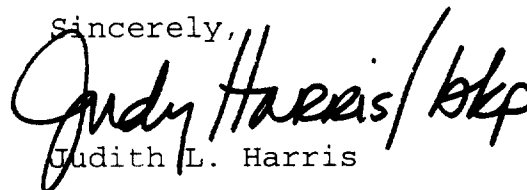
Dear Ms. Roman Salas:

Pursuant to Section 1.1206 of the Commission's Rules, this letter serves to give notice that a meeting took place on August 7, 1998, among John Nakahata, Chief of Staff of the Commission; Thomas Power, Legal Advisor to Chairman Kennard and Judith Harris of the law firm of Reed Smith Shaw & McClay LLP, on behalf of The Washington State Department of Information Services ("DIS").

The purpose of the meeting was to discuss the status of DIS' Petition for Reconsideration ("Petition") in CC Docket Nos. 96-45, 96-262, 94-1, 91-213, and 95-72, and ways in which competition on a level playing field would be encouraged, choice would be expanded, and universal service funds would be conserved through the relief sought in DIS' Petition. At the meeting, the attached document, "Universal Service Cost Models for Schools and Libraries," was given to Mr. Powers and Mr. Nahakata.

Should there be any questions regarding this matter, please do not hesitate to contact the undersigned at 202-414-9276 at your earliest convenience.

Sincerely,

  
Judith L. Harris

cc: J. Nakahata  
T. Power

Attachment

Harrisburg, PA McLean, VA Newark, NJ New York, NY Philadelphia, PA Pittsburgh, PA Princeton, NJ

RECEIVED

AUG 13 1998

Federal Communications Commission  
Office of Secretary

# Universal Service Cost Models for Schools and Libraries

Depicting Savings to the Universal Service Fund  
Resulting from the Reimbursement Eligibility of  
State Telecommunications Networks

Prepared by the Washington State Department of Information Services

## Executive Summary

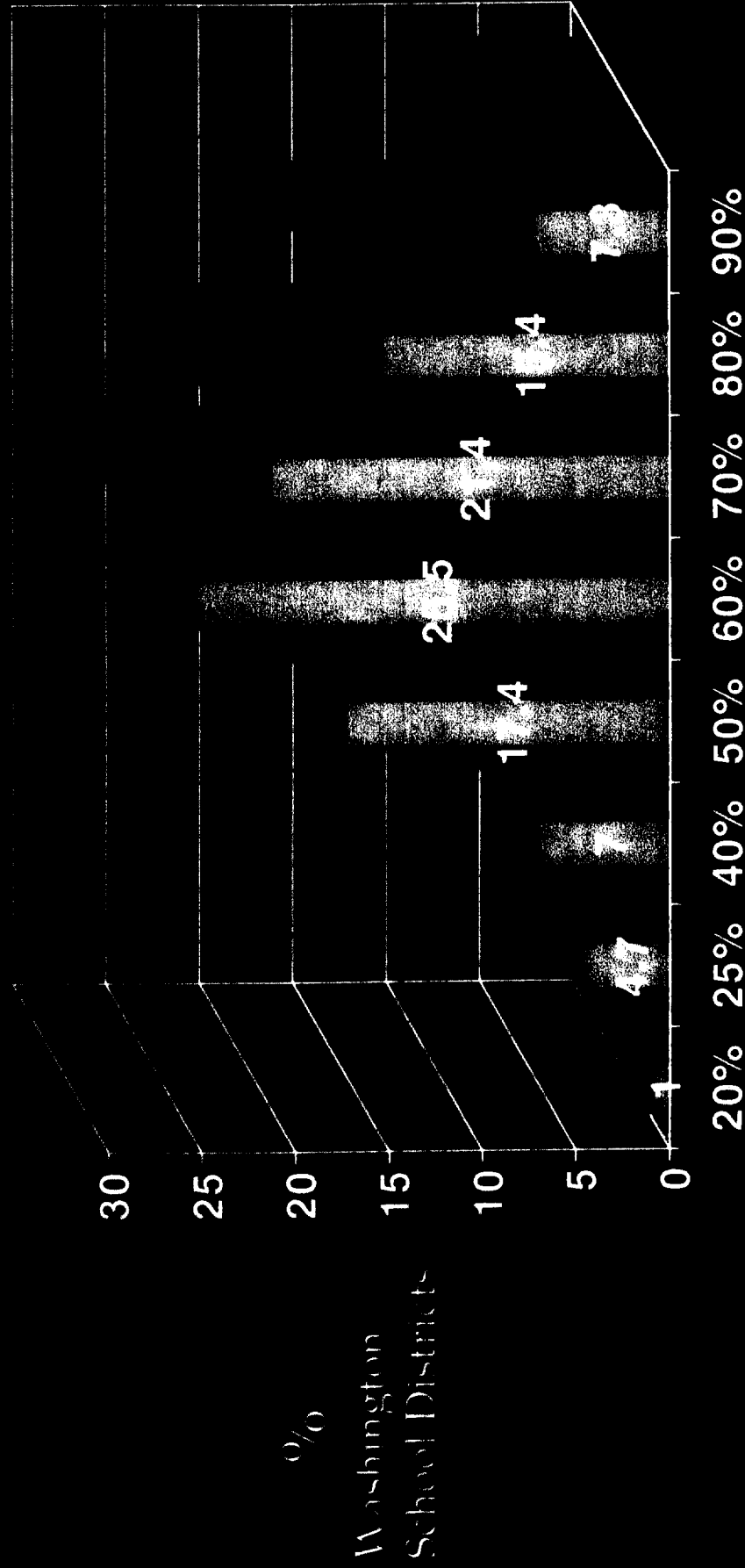
The current Universal Service rules established by the Federal Communications Commission have created incentives for schools and libraries to leave lower-cost, integrated state networks and to purchase higher-priced services directly from telecommunications carriers in order to receive higher discounts. As the cost models indicate, schools will seek to pay the lowest amount possible even if that means purchasing higher cost services, with a resulting inordinate draw on the Universal Service Fund.

An economically rational decision maker at a school or library, with various purchasing options available, will seek that option which results in it paying the least for a particular service, even if the overall cost of that option is higher. This choice forces the other payor (the Universal Service Fund) to pay more than would be necessary with an option that is less expensive overall. From a system perspective, the current rules support an inefficient model which will deplete the Universal Service Fund more quickly than planned.

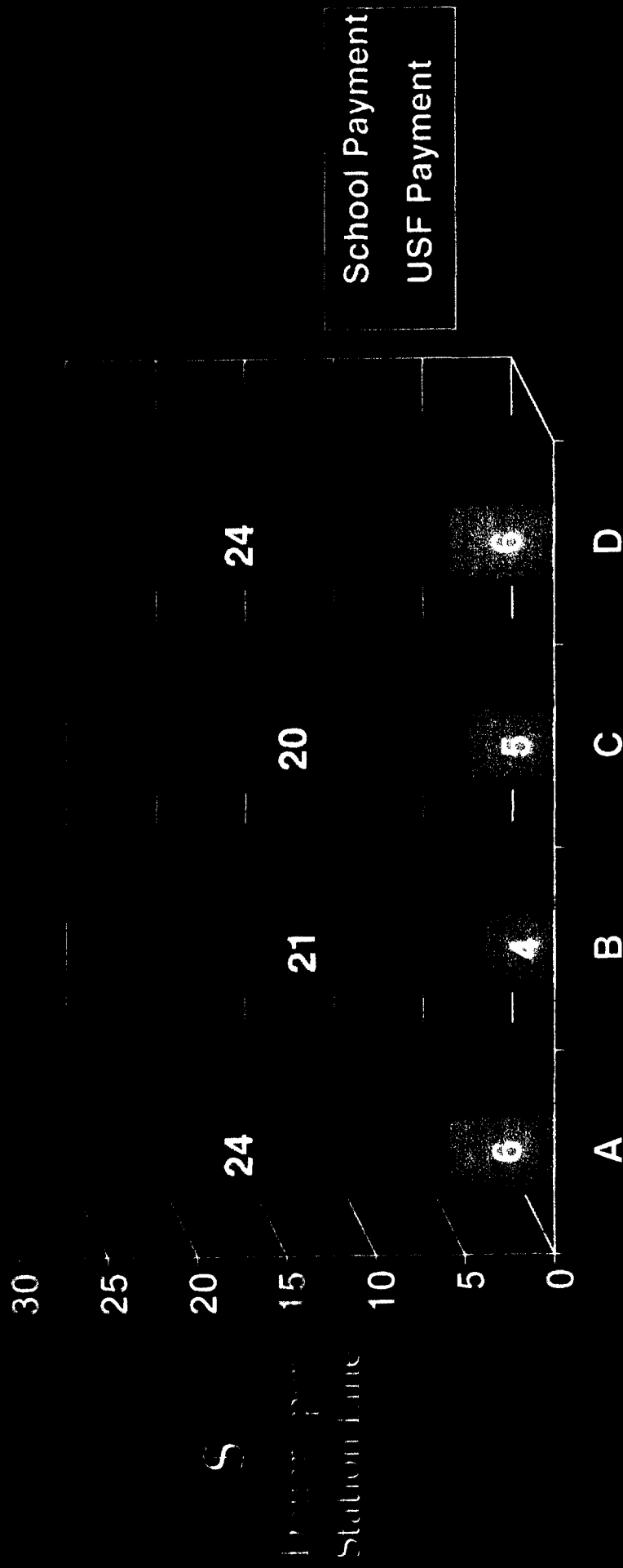
Enclosed please find a collection of graphs that depict cost models which support our position. At Tab A, we portray the Washington State schools (K-12) as they currently qualify for USF discounts. This graph shows that the majority of Washington State schools qualify for 50% to 80% discounts. At Tabs B and C, please find depictions of cost models for Centrex and long distance services available to Washington Schools under current law and relevant Commission rules and under the relief being requested. The long distance products being compared are identical. The Centrex services being compared are virtually identical--the product available from the depicted state telecommunications network generally has more features than the carrier's product, but still ends up costing less.



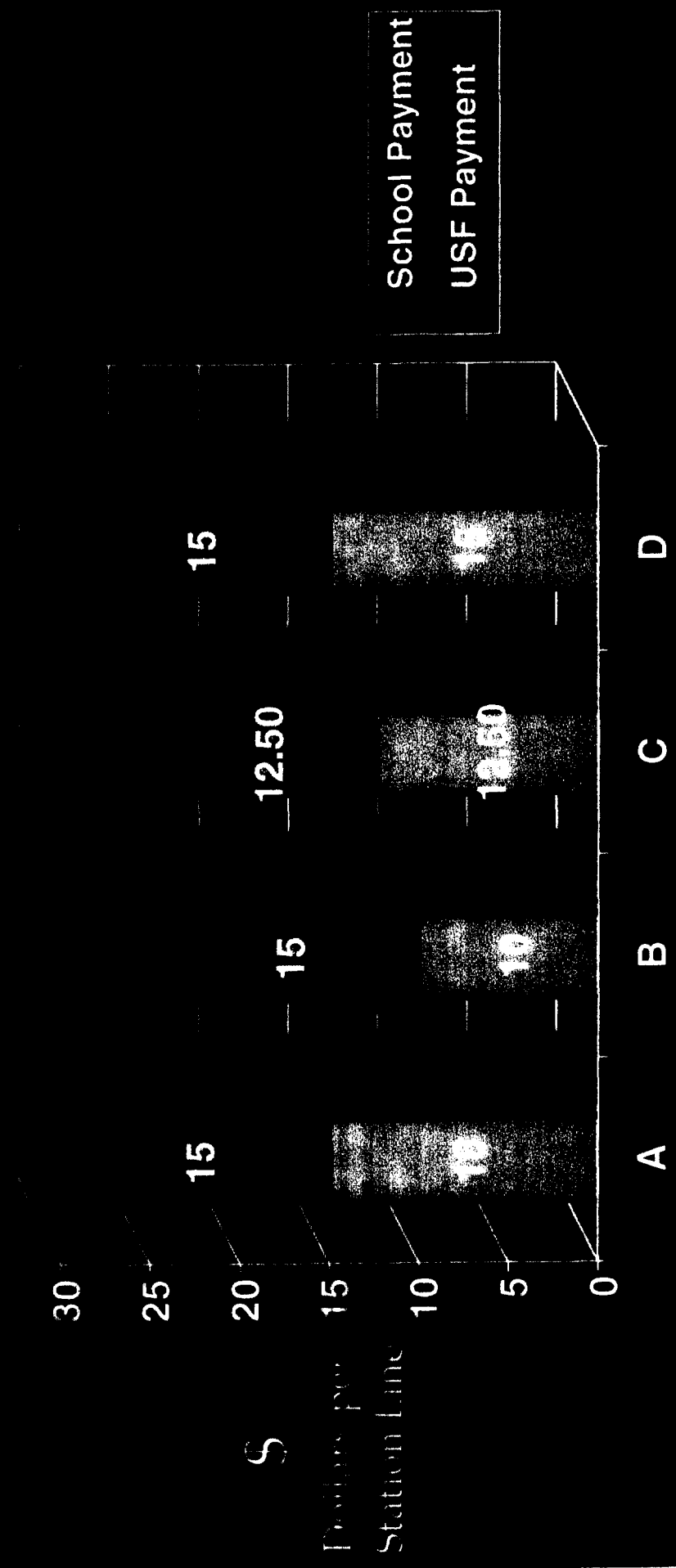
# 





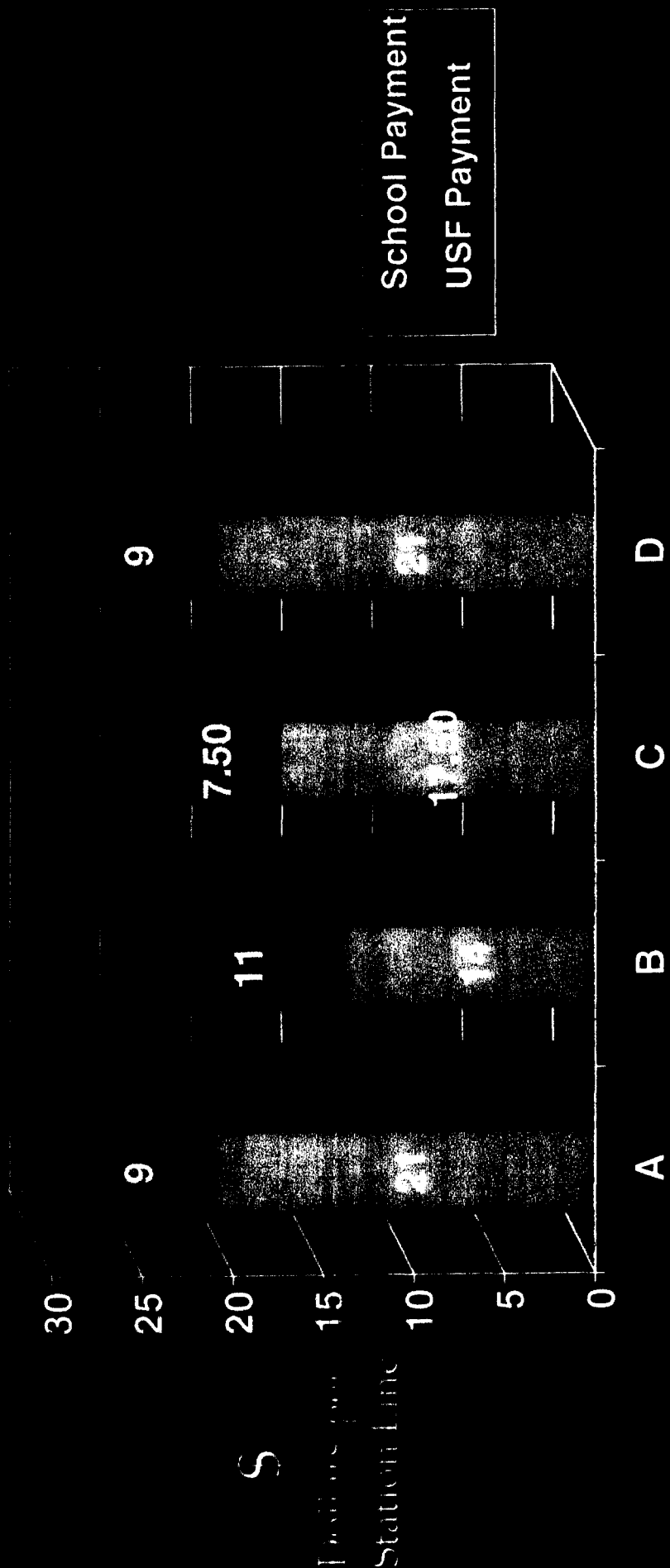


A - Current Rules, Purchase from Carrier  
 B - Current Rules, Purchase from DLS  
 C - Proposed Change, Purchase from DLS  
 D - Proposed Change, Purchase from Carrier

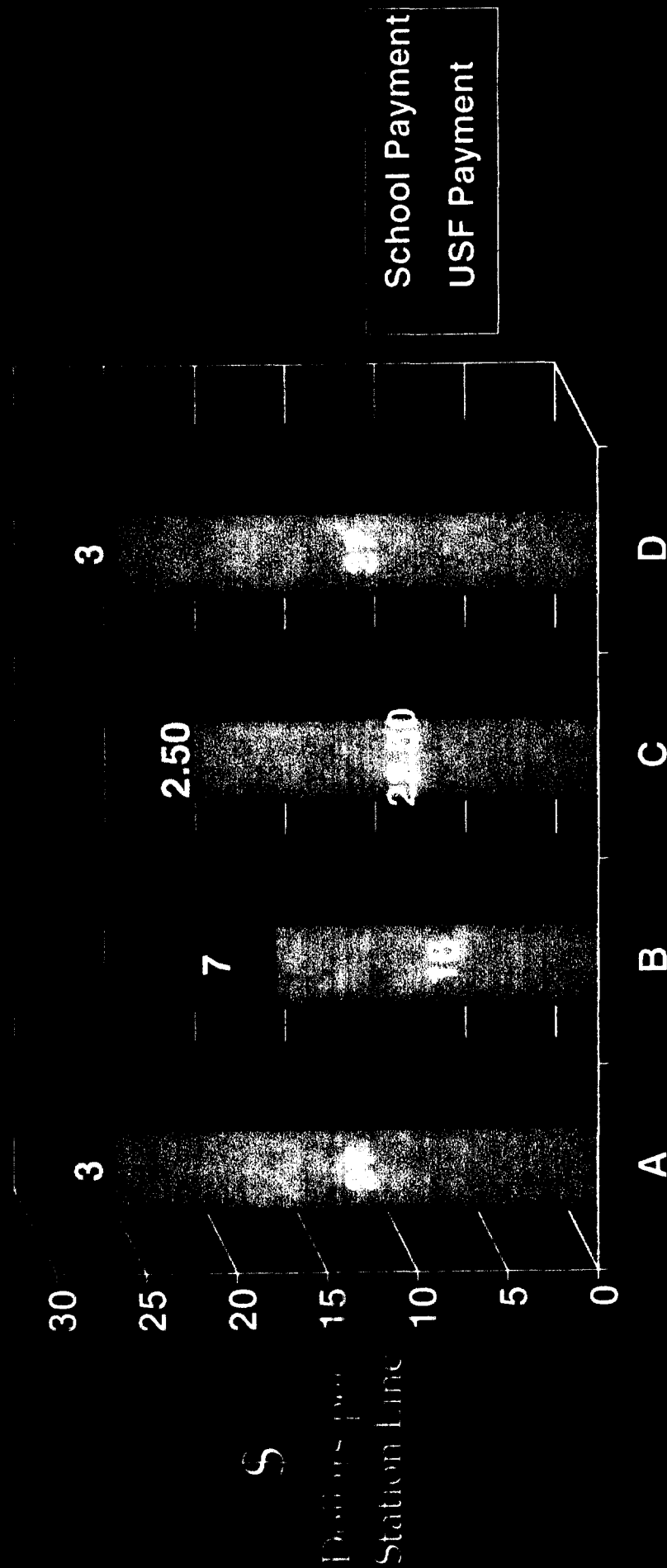


A - Current Rules, Purchase from Carrier      C - Proposed Change, Purchase from DfS  
 B - Current Rules, Purchase from DfS      D - Proposed Change, Purchase from Carrier





A - Current Rules, Purchase from Carrier  
 B - Current Rules, Purchase from D/S  
 C - Proposed Change, Purchase from D/S  
 D - Proposed Change, Purchase from Carrier

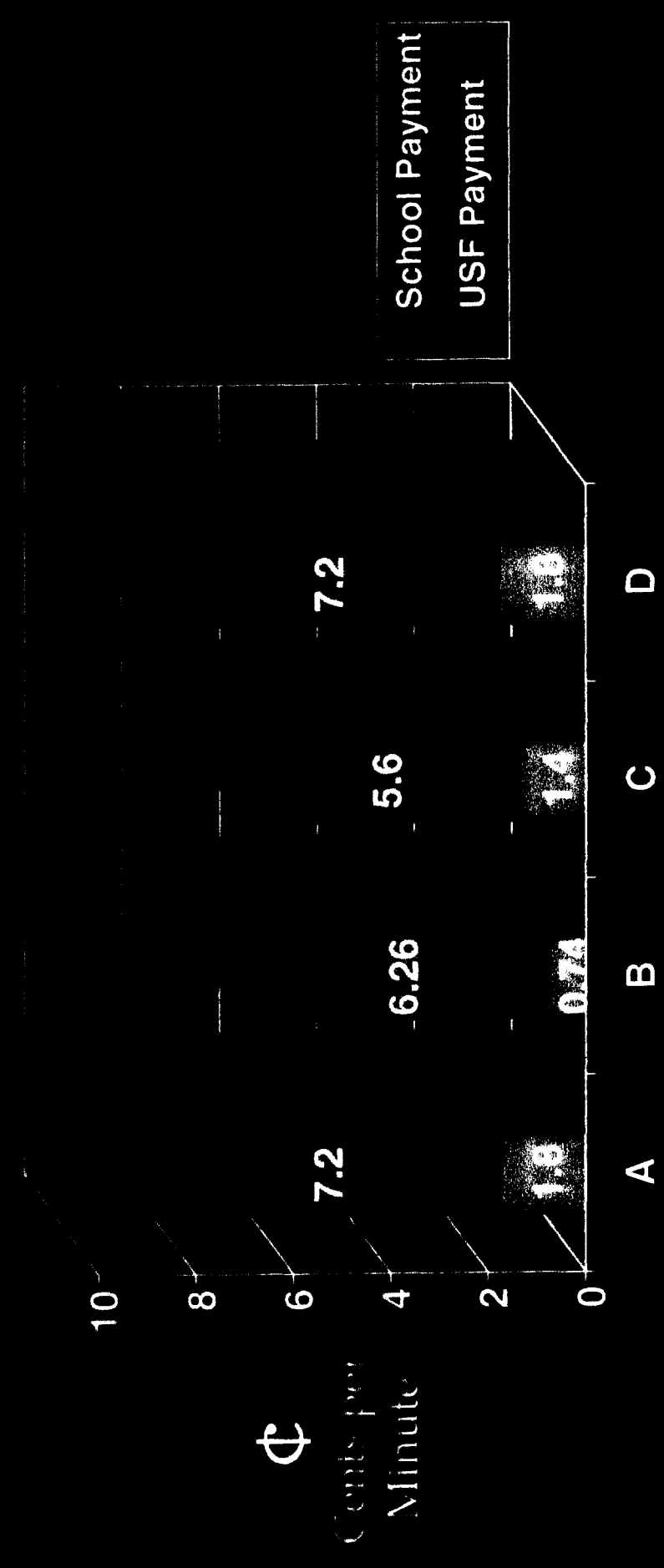




c

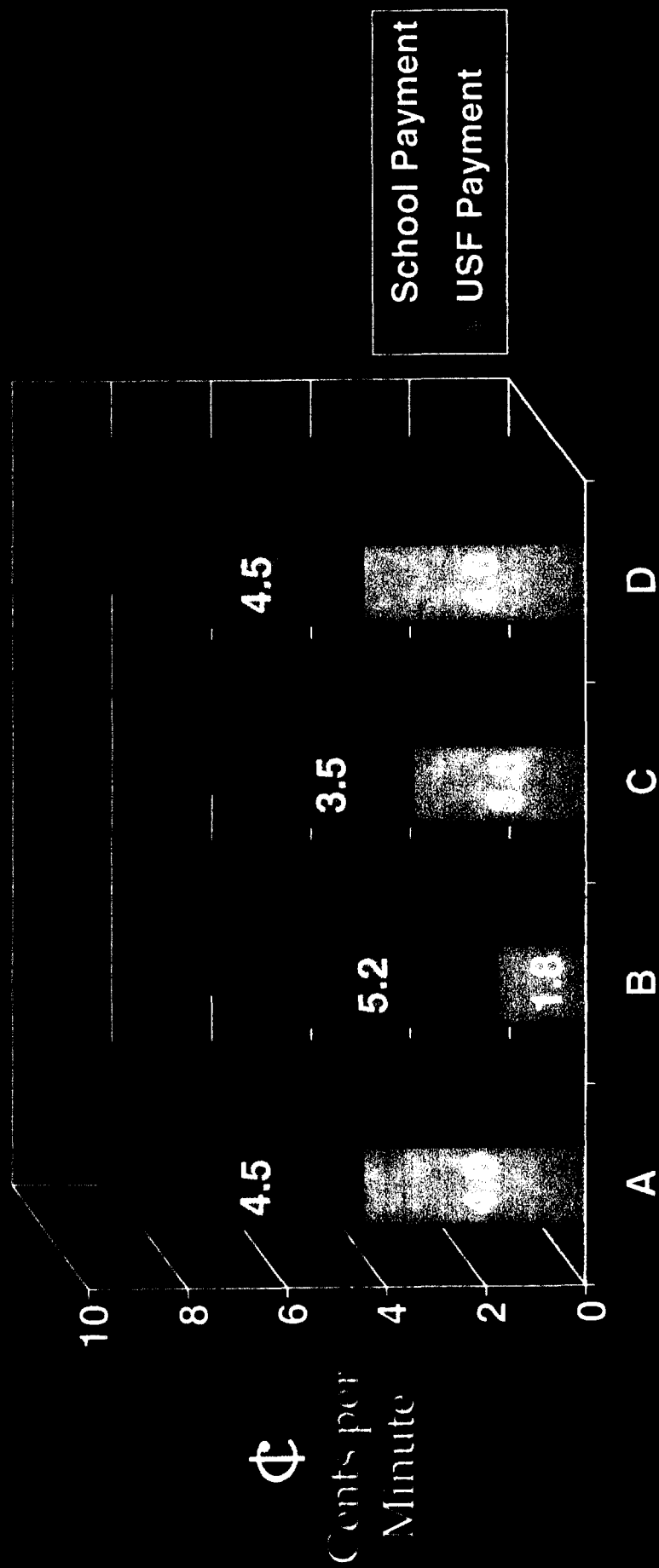


1. The current rules for the purchase of DIs from carriers are based on the current rules for the purchase of DIs from carriers. The current rules for the purchase of DIs from carriers are based on the current rules for the purchase of DIs from carriers. The current rules for the purchase of DIs from carriers are based on the current rules for the purchase of DIs from carriers.



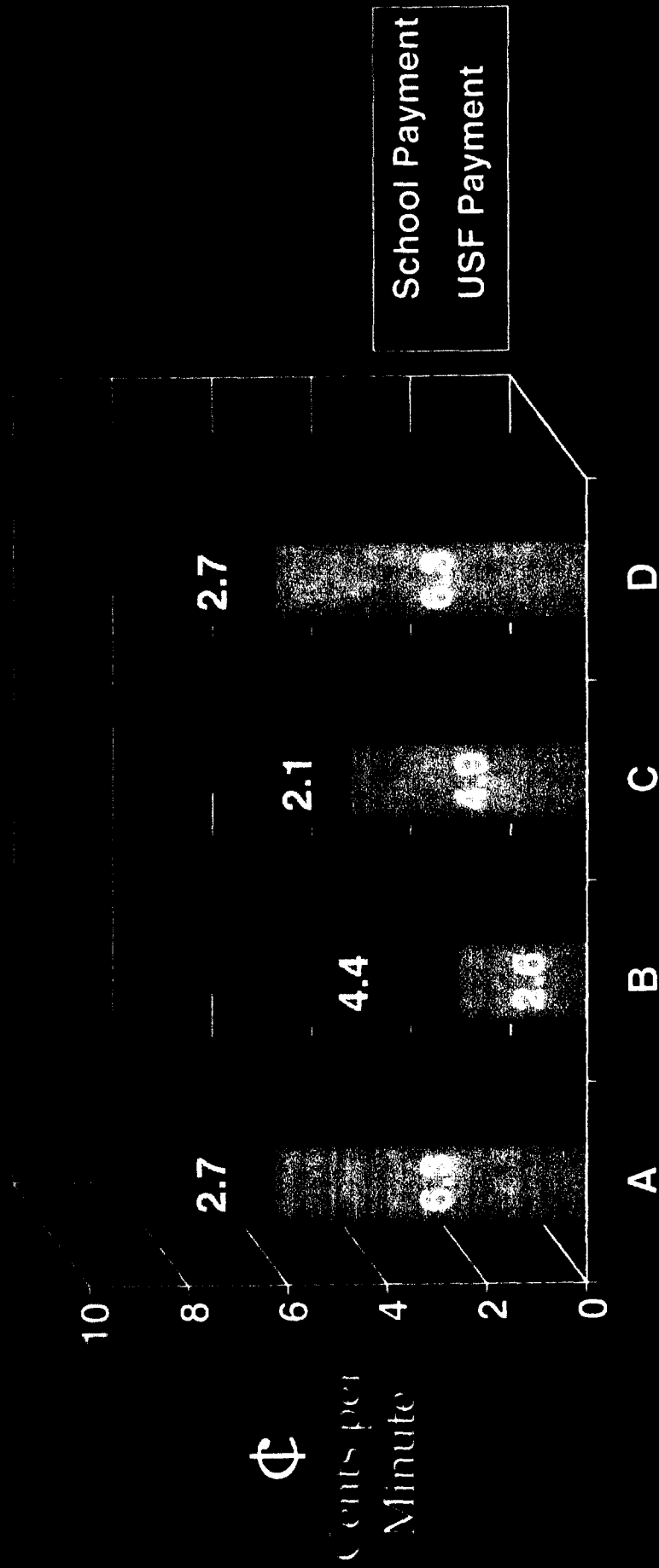
A - Current Rules, Purchase from Carrier      C - Proposed Change, Purchase from DIs  
 B - Current Rules, Purchase from DIs      D - Proposed Change, Purchase from Carrier

USF Savings Program: Virtual School Plan  
 50% Discount on Long Distance Service



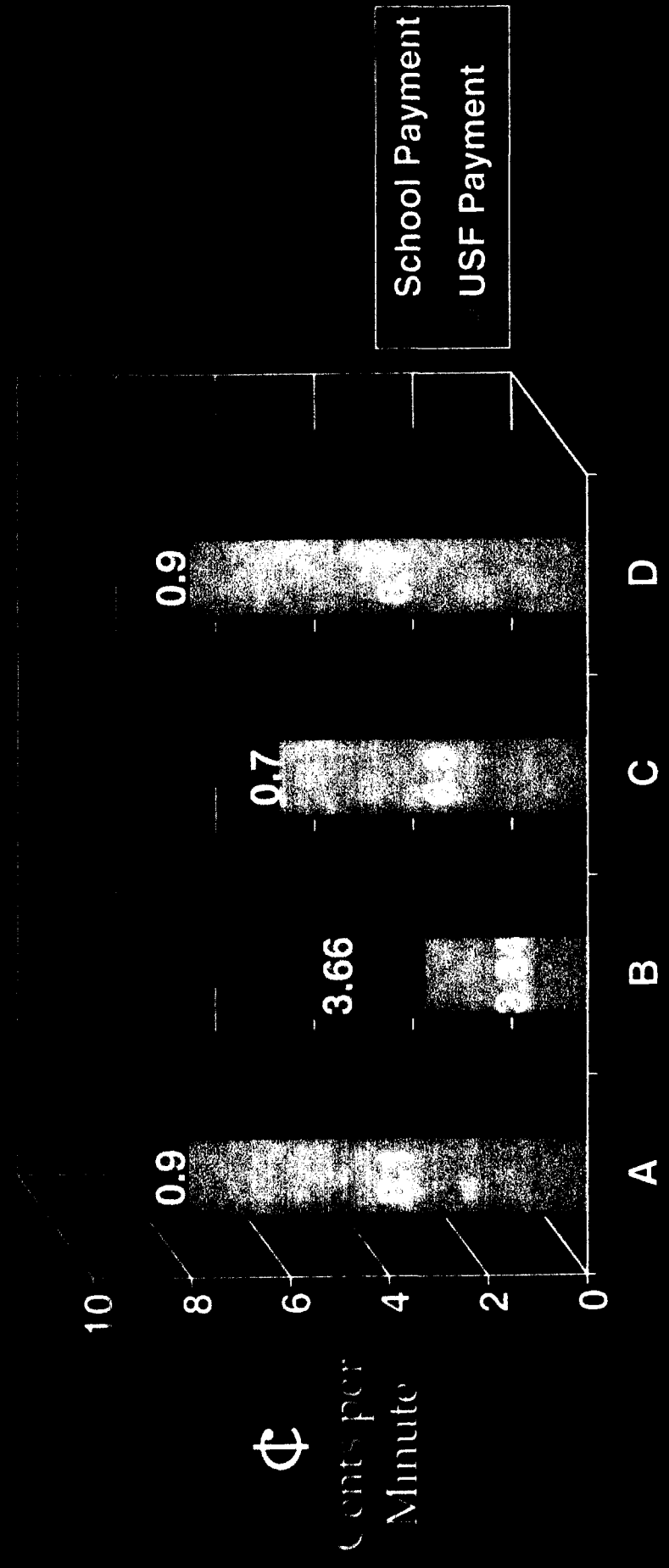
A - Current Rules, Purchase from Carrier      C - Proposed Change, Purchase from DLS  
 B - Current Rules, Purchase from DLS      D - Proposed Change, Purchase from Carrier

4037



A - Current Rules, Purchase from Carrier      C - Proposed Change, Purchase from DLS  
 B - Current Rules, Purchase from DLS      D - Proposed Change, Purchase from Carrier

U.S. AIR FORCE  
 OFFICE OF THE  
 SECRETARY



A - Current Rules, Purchase from Carrier      C - Proposed Change, Purchase from DLS  
 B - Current Rules, Purchase from DLS      D - Proposed Change, Purchase from Carrier